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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 21, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUE010298

Ex Parte: In the matter of  
establishing rules and regulations  
pursuant to the Virginia Electric  
Utility Restructuring Act for  
competitive metering services

ORDER

In the State Corporation Commission's ("Commission")  
May 15, 2001, Order establishing this proceeding, the Commission  
directed investor-owned distribution utilities to file by  
May 31, 2001, their intended schedules for implementing  
competitive metering services; and directed the Staff to file,  
with input from a work group, an interim report by July 16,  
2001, presenting recommendations on further procedures for  
promulgating proposed rules for competitive metering services  
pursuant to § 56-581.1 of the Virginia Electric Utility  
Restructuring Act.<sup>1</sup>

Three of the four investor-owned electric distribution  
utilities beginning full or phased-in retail access in Virginia  
on January 1, 2002 -- Delmarva Power & Light, Virginia Electric

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<sup>1</sup> Code § 56-576 et seq.

and Power Company ("Dominion Virginia Power"), and The Potomac Edison Company, d/b/a Allegheny Power ("AP")-- requested a delay in implementing competitive metering within their distribution service territories until January 1, 2003, for large industrial and large commercial customers, and after January 1, 2004, for residential and small business customers. Appalachian Power Company, d/b/a American Electric Power ("AEP-VA") initially filed a notice of intent to begin the implementation of competitive metering on January 1, 2002, for large industrial and large commercial customers, and on or after January 1, 2003, for residential and small business customers. Subsequently, on July 3, 2001, AEP-VA notified the Commission that it "will not press for the issuance of competitive metering rules by January 1, 2002." AEP-VA requested, however, that the Commission not foreclose the possibility that early entrants into the competitive metering market could be accommodated under the company's existing tariffs between January 1, 2002, and January 1, 2003.

Kentucky Utilities Company, d/b/a Old Dominion Power Company ("ODP"), which will transition to retail choice in its Virginia service territory on or before January 1, 2004, requested a delay in the implementation of competitive metering services in its Virginia service territory until after January 1, 2004.

In its July 16, 2001, interim report, the Staff recommended that: (1) competitive metering should initially provide meter data availability and access choices, including access to meter data on a near real-time basis by January 1, 2003; (2) the Staff, with input from the work group, should submit a draft of proposed rules by February 14, 2002, relative to meter data availability and access choices; and (3) upon implementation of such rules, the Staff and work group should continue to meet and conduct an ongoing examination of the development of competitive metering markets and make recommendations regarding additional competitive metering market elements.

On August 21, 2001, the following parties filed comments on the utilities' intended schedules and the Staff's interim report: the Division of Consumer Counsel, Office of the Attorney General; AEP-VA, AP; Dominion Virginia Power; AES NewEnergy, Inc.; The New Power Company, the Virginia Committee for Fair Utility Rates and the Old Dominion Committee for Fair Utility Rates ("Industrial Committees"); and the National Energy Marketers Association ("NEM").

Few substantial objections were raised to the Staff's recommendation that competitive metering be implemented beginning January 1, 2003 with meter data availability and access choices. On a separate matter, Dominion Virginia Power urged the Commission specifically to include customer meter

ownership as part of the initial implementation of competitive metering for large customers on January 1, 2003, and to establish a target date of January 1, 2004, for the competitive provision of all metering services to large customers, with the Commission having the flexibility to adjust this schedule due to changing market conditions. The Industrial Committees did not specifically oppose an initial implementation of only certain elements of competitive metering, but favored a more compressed schedule. NEM urged the Commission immediately to unbundle the fully embedded monopoly costs associated with metering.

NOW THE COMMISSION, upon consideration of the filings in this matter and the applicable statutes, is of the opinion that the requested delays of the electric distributions companies for the implementation of competitive metering for large customers should be granted; that AEP-VA should be permitted to offer competitive metering to early entrants through its approved tariffs; that the Commission Staff and the competitive metering work group should continue to meet to address rules relative to the competitive metering elements of meter data availability and access choices; and that the Staff should file proposed rules by February 14, 2002.

We find it appropriate to grant the requests of Delmarva, Dominion Virginia Power, and AP to delay implementation of competitive metering in their respective service territories

until January 1, 2003, for large industrial and large commercial customers.<sup>2</sup> It is premature for the Commission to rule on requests to delay the implementation of competitive metering for residential and small business customers. We recognize that the issues surrounding competitive metering are complex and controversial, and there has not been adequate time to fully develop rules in a fashion timely enough to allow utilities to put into operation the processes and systems needed to implement competitive metering services by January 1, 2002. In addition, little or no competitive metering activity has developed at the current time in other states in which competitive metering has been authorized. We believe a one year delay in the implementation of competitive metering, as permitted by § 56-581.1 E, will help avoid confusion in the marketplace and facilitate a more orderly transition to retail access.

We agree with the Staff that the availability and accessibility of meter data by customers and competitive service providers may be the elements of metering services most critical to advancing the development of a competitive electricity market in Virginia. Therefore, we will adopt the Staff's

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<sup>2</sup> ODP is granted a delay in the implementation of competitive metering services for large industrial and commercial customers until the later of January 1, 2003, or the implementation of retail choice in its Virginia service territory on or before January 1, 2004.

recommendation and direct the Staff to proceed, with the assistance of the work group, to develop and propose rules by February 14, 2002, that provide customers and competitive service providers with reasonable options regarding meter data availability and accessibility.

The comments of Dominion Virginia Power and certain other interested parties include recommendations for the implementation of additional competitive metering elements on January 1, 2003. We will refer consideration and evaluation of such additional elements of competitive metering services to the Staff with the assistance of the work group. Such evaluations should carefully consider the nine statutory implementation criteria set forth in 56-581.1 E of the Code of Virginia. It is these statutory criteria that will guide this Commission with respect to how implementation will be accomplished. We will also direct the Staff to file a report by June 30, 2002, providing the status of its evaluations and recommendations for additional implementation efforts.

AEP-VA's request for it to offer competitive metering through approved tariffs for calendar year 2002 will be granted pursuant to our approvals in AEP-VA's functional separation proceeding in Case No. PUE010011. This approach is consistent with our May 15, 2001, order wherein we encouraged an approach that provides a reasonable level of flexibility for

experimentation. Additionally, we continue to encourage the active work group participation of competitive metering and energy service providers, including the presentation of specific proposals for experimentation.

Accordingly, IT IS HEREBY ORDERED THAT:

(1) The requests for delays in implementation of competitive metering are granted as set forth herein. AEP-VA may offer competitive metering under its approved tariffs during 2002.

(2) The Commission Staff shall, with the assistance of the work group, develop and propose rules by February 14, 2002.

(3) The Commission Staff shall proceed, with the assistance of the work group, to further examine additional elements of competitive metering services and to submit a report providing its findings and recommendations for additional implementation efforts by June 30, 2002.

(4) This matter shall be continued generally.